



State of Washington
Department of Revenue

Excise Tax Advisory

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LAYAWAY CHARGES

Issued September 16, 1966

Are layaway deposits on layaway sales taxable where the customer forfeits the deposit and the seller retains said deposits?

The taxpayer, a department store, collected a twenty-five cent service charge on each layaway sale which was to be paid at the time the sale was made. If the total purchase price was paid in full within two weeks after the initial payment, the taxpayer refunded the service charge in full. A number of the taxpayer's customers forfeited the deposit by not paying in full within the two week period, and the taxpayer retained the revenue from such forfeitures. The taxpayer was assessed a Retail Sales Tax on the forfeited layaway deposits. It contended, however, that said tax was erroneously applied.

The Tax Commission held that the retained layaway charges were a part of the taxpayer's income but that they did not constitute retail sales. The Commission held that the amount of such charges retained by the taxpayer were taxable under the Business and Occupation Tax classification, "Service and Other Activities." (Letter)

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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Please direct comments to:
Department of Revenue
Legislation & Policy Division
P O Box 47467
Olympia, Washington 98504-7467
(360) 753-4161 eta@DOR.wa.gov